

YCHIMO

ANNUAL
REPORT

1976

NOTICE OF MEETING
INFORMATION CIRCULAR

CHIMO
GOLD MINES
LIMITED

FOR THE YEAR ENDED DECEMBER 31, 1976



DIRECTORS

M. P. CONNELL - - - - - Toronto, Ontario
D. J. HAINS - - - - - Toronto, Ontario
I. F. T. KENNEDY - - - - - Toronto, Ontario
J. C. LAMACRAFT - - - - - Toronto, Ontario
A. C. MOSHER - - - - - Toronto, Ontario

OFFICERS

M. P. CONNELL - - - - - President
J. C. LAMACRAFT - - - - - Executive Vice-President
I. F. T. KENNEDY - - - - - Vice-President
J. A. PATTERSON - - - - - Secretary-Treasurer
J. S. ADAMS - - - - - Assistant Secretary-Treasurer

HEAD OFFICE

SUITE 1010, 85 RICHMOND STREET WEST
Toronto, Ontario

TRANSFER AGENT AND REGISTRAR

•
NATIONAL TRUST COMPANY, LIMITED
Toronto, Ontario

AUDITORS

•
THORNE RIDDELL & Co.
Toronto, Ontario

BANKERS

•
THE ROYAL BANK OF CANADA
Toronto, Ontario

SOLICITORS

•
DAVIES, WARD & BECK
Toronto, Ontario

ANNUAL MEETING

•
June 29, 1977
Ascot Inn
Highway 27 and Rexdale Boulevard
Rexdale, Ontario

Chimo Gold Mines Limited

Report of the Directors

To the Shareholders,
Chimo Gold Mines Limited.

Your Directors submit the Annual Report for the year ended December 31, 1976. Included are the financial statements of the Company and the auditors' report thereon. Also enclosed are the notice of annual and general meeting, information circular and form of proxy.

Income received from the Iron Bay Trust in 1976 amounted to \$483,300 and was derived from a royalty on production of iron ore pellets from The Steel Company of Canada's Griffith Mine, located near Red Lake in the Province of Ontario. The lease agreement between the Iron Bay Trust and Stelco provides for escalation of the royalty rate proportionately with increases in the price of iron ore pellets. During 1976, the royalty rate was increased from 74.9 cents to 84.3 cents per ton, and in early 1977 the royalty rate was further increased to 88.1 cents per ton.

During the year your Company participated in a number of undertakings which are described below.

EXPLORATION

Your Company participates in an extensive Canadian mineral exploration programme pursuant to an agreement with several related companies, which provides for participation as follows:

Chimo Gold Mines Limited	27%
Conwest Exploration Company Limited	30%
Calmor Iron Bay Mines Limited	18%
Consolidated Canadian Faraday Limited	25%

The total amount expended during 1976 was \$1,600,000. Expenditures by unrelated joint venturers on projects in which the above-named group participates were approximately \$2,400,000, resulting in a total exploration exposure of \$4,000,000.

The exploration budget for the joint activities of the above companies for 1977 is \$1,500,000.

The Conwest Canadian Uranium Exploration Joint Venture operated for its first full calendar year during 1976 with a wide-ranging exploration effort being conducted throughout Canada. Conwest and certain related companies shared a 20% participation in the \$1,600,000 budget of the Joint Venture as follows:

Chimo Gold Mines Limited	15%
Conwest Exploration Company Limited	25%
Consolidated Canadian Faraday Limited	25%
International Mogul Mines Limited	25%
Calmor Iron Bay Mines Limited	10%

The other participants in this Joint Venture, each contributing as to 20%, are Central Electricity Generating Board (a British agency), Eldorado Nuclear Limited (a Canadian Crown corporation), Electrowatt Limited (a Swiss company) and Empresa Nacional Del Uranio, S.A. (a Spanish company).

The reports of Mr. C. K. O'Connor, Vice-President, Exploration and Development, Conwest Exploration Company Limited, and Dr. E. F. Evoy, Technical Director of the Conwest Canadian Uranium Exploration Joint Venture, are appended.

CONSORTINA INCORPORATED

Your Company holds an 18% interest in Consortina Incorporated. Consortina Incorporated owns a number of restaurants, lounges and accommodation units in the Metropolitan Toronto area.

During 1976, Consortina made substantial capital outlays for acquisitions and improvements. The funds applied to the acquisition of The Jarvis House (January 1, 1976), The Ports of Call (January 19, 1976), The Ascot Inn (March 1, 1976) and Bemelmans (May 21, 1976) totalled approximately \$5,800,000. The funds applied to improvements, which included renovations, equipment, furnishings and artifacts, totalled approximately \$2,000,000. As at December 31, 1976, there remained approximately \$2,200,000 in capital expenditures to completion. Consortina has financed these capital expenditures through a combination of mortgages, bank loans and subordinated shareholder advances.

For the year ended December 31, 1976, Consortina incurred a loss of \$220,000 before depreciation of \$185,000 and financing costs of \$894,000 including interest on shareholder advances totalling \$272,000. Operating profits for The Jarvis House and The Riverside Lodge were in excess of budget. Operating losses for The Ports of Call and The Ascot Inn reflected the disruptions to operations resulting from the extensive renovation and reorganization of these facilities.

The Ports of Call, now known as "The Ports", opened April 25, 1977. Three unique individually-designed dining rooms offer diverse menus at reasonable prices; two lounge areas, again with their own unique design, offer live entertainment. The initial public response has been excellent.

Bemelmans Restaurant, at 83 Bloor Street West, Toronto, opened on May 8, 1977. Bemelmans is a 1920's style restaurant that might be more typically found in New York or New Orleans. Again the public response has been excellent.

At the Ascot Inn, construction and refurbishing are almost complete. Opening of the expanded facilities is scheduled for late June.

Consortina Incorporated is independently managed by a capable and experienced group of executives. The principal officers of Consortina are Messrs. T. G. Kristenbrun, President; R. L. Cowan, Executive Vice-President; I. E. Hickson, Vice-President, Operations; and G. M. Wilson, Secretary-Treasurer.

HSA REACTORS LIMITED

Your Company holds a 10.9% interest in HSA Reactors Limited.

HSA was incorporated in 1975 pursuant to an agreement with EDT Supplies Ltd. of London, England, Barringer Research Limited and Rogers, Bereskin & Parr of Toronto, to continue the research and development of a unique electrochemical system originated at Imperial College, London, England by Dr. Bernard Fleet and Dr. Sankar Das Gupta. Patents have been filed in a number of countries.

The HSA reactor utilizes a unique electrode with a surface area many times greater than that of conventional electrochemical cells resulting in substantially improved electrical efficiencies.

The principal areas of research currently under investigation include the application of the HSA reactor to the treatment of metallic waste effluents, hydrogen generation, organic synthesis and hydrometallurgy. The HSA reactor has been tested successfully for the extraction of toxic non-ferrous metals from solutions in which the metals are present in very low concentrations.

During 1976 the major emphasis has centred on reactor design, scale-up and process testing with the objective of installing a pilot plant in Chicago by mid-1977 to treat metallic waste effluents from a metal finishing plant.

On behalf of the Board,

MARTIN P. CONNELL,
President.

Toronto, Ontario,
May 18, 1977.

Report on General Exploration

The following summarizes the more significant mineral exploration projects in which your Company participates. They are divided into two groups reflecting the varying interests of the participants.

GROUP I – Conwest 66⅓%, Chimo 20%, Calmor 13⅓%

a) The MacMillan Joint Venture with Essex Minerals Company (a subsidiary of U.S. Steel), and managed by Conwest, continued exploration of its claims 70 miles northwest of the town of Faro in the Yukon. Gravity surveys resumed in 1976 and were completed in the early spring of 1977. Further geochemical sampling this summer will be followed by a compilation of all data to assign priorities for diamond drilling. It is currently anticipated that diamond drilling will be deferred until 1978. The objective of this project is to locate lead-zinc-silver mineralization similar to that in the Faro-Vangorda area to the southeast.

b) The Yava Syndicate, in which the Conwest group retains a 22½% interest and which is managed by Western Mines Limited on behalf of Brascan Resources Ltd. and the Conwest group, carried out limited additional surface exploration during 1976. No further diamond drilling was done; however several new areas of geological interest were developed on the claim group and additional exploration is anticipated for the claims pending other developments in the Northwest Territories which may enhance the feasibility of development in this remote area.

c) The Conwest group, in joint venture with Muscocho Explorations Limited, exercised its option on several claim groups in Lemoine Township adjacent to and along strike from Patino Mines (Quebec) Limited's Lemoine Mine in the Chibougamau area. No further exploration was carried out in 1976, however additional geophysical surveys are being considered. The claims are now held in the name of Stella Lake Mines Limited, in which the Conwest group currently has a 42.28% share interest, Muscocho a 31.05% share interest, the remainder of the shares being held by the original property vendors.

GROUP II – Conwest 30%, Chimo 27%, Calmor 18%, Faraday 25%

a) The Conwest-managed joint venture with Getty Mining Northeast Limited (50%), completed a preliminary evaluation of its large claim block southeast of Moosonee, Ontario. Exploration during 1976 included ground geophysical surveys of selected airborne anomalies followed by diamond drill testing of five of these anomalies. A total of 1,049 feet of diamond drilling was completed in eight holes. No significant mineralization was encountered and no further exploration is planned.

b) Conwest has for the past several years been conducting a regional base metal exploration programme west of Timmins, Ontario. This work has included airborne and ground geophysical surveys and diamond drilling. In early 1977, 1,337 feet of diamond drilling were completed in five holes to test several anomalies. No economic mineralization was encountered, however evaluation of the potential of this area is continuing and further exploration is planned.

c) Early in 1976, Conwest acquired by staking and options eight claim groups in the Bathurst area of New Brunswick. Exploration of these properties to date has included airborne and ground geophysical surveys, geological mapping and geochemical sampling. In addition, 2,314 feet of diamond drilling were completed in two holes on one of the claim groups. As a result of the 1976 work, one of the optioned groups was abandoned while all of the others have anomalous conditions which warrant further investigations. In addition, one new claim group was recently staked. Exploration has just recommenced following breakup. The current property holdings include 411 claims in eight groups.

d) Late in 1976 and early in 1977, Conwest acquired three new base metal prospects in northeastern Ontario and south and central British Columbia. On one of these, recently completed percussion drilling failed to locate significant mineralization. Exploration programmes have just commenced on the others.

Acquisition of the British Columbia prospects reflects a decision to resume more active exploration in that province. Several other prospects are currently under consideration. The Company has recently established a field office in Smithers, British Columbia.

Respectfully submitted,

C. K. O'CONNOR,

Vice-President, Exploration and Development,
Conwest Exploration Company Limited.

Report on the Conwest Canadian Uranium Exploration Joint Venture

The Conwest group, with its co-participants, Central Electricity Generating Board, Eldorado Nuclear Limited, Electrowatt Limited and Empresa Nacional Del Uranio, S.A., are conducting an active programme in Canada to explore for and develop uranium properties. The annual budget for the venture is \$1,500,000 with each participant contributing 20% of the budget.

The Joint Venture has an interest in and is exploring claims and other exploration tenements in Saskatchewan, Ontario, Quebec and Newfoundland totalling half a million acres, and is doing reconnaissance exploration in British Columbia, the Northwest Territories and eastern Canada.

In Saskatchewan, work is centred on two large groups of claim blocks along the southeast edge of the Athabasca Basin. The area is almost wholly drift-covered. The surface has been prospected, and the overburden cover along the edge of the Basin has been sampled by rotary drilling. Airborne geophysical surveys were flown in 1976 and 1977, and resulting anomalies are currently being evaluated on the ground. Several anomalies will be drill tested during the coming field season. The Saskatchewan Mining Development Corporation is participating in this programme to the extent of 33⅓%.

Two additional holes were drilled in the Blind River area on properties being explored jointly with Lacana Mining Corporation and Driftex Limited. Total drilling by the Joint Venture now exceeds 15,000 feet in six holes. No ore has been encountered to date.

In Quebec, the Joint Venture explored claims in the Berard Lake area with little encouragement. On the basis of reconnaissance work an exploration permit was acquired on the west side of the Labrador Trough north of Schefferville. The permit will be evaluated in 1977.

In Newfoundland, 43 claims and exploration rights to an adjacent Reid Lot are held in the Portland Canal area. Geophysical, geochemical and radiometric surveys have been partially completed, and some core drilling is planned this year. A second Reid Lot with similar geology has recently been optioned.

Numerous property examinations have been made in many parts of Canada.

Respectfully submitted,

DR. E. F. EVOY,

Technical Director,

Conwest Canadian Uranium Exploration Joint Venture.

Balance Sheet as at December 31, 1976

ASSETS		
Current Assets	1976	1975
Cash and short term deposits	\$ 256,387	\$ 42,471
Royalty receivable	120,000	100,000
Accounts receivable	65,309	10,095
	<u>441,696</u>	<u>152,566</u>
Investment in Mining Companies and Properties		
Shares with a quoted market value, at cost (quoted market value 1976, \$1,182,680; 1975, \$702,789)	1,020,060	794,654
Units of The Iron Bay Trust, at cost less accumulated amortization of \$92,869 (1975, \$80,783) (quoted market value 1976, \$5,500,000; 1975, \$4,750,000)	262,023	274,109
Mining properties together with expenditures thereon, at cost less amounts written off (note 2)	245,025	202,279
Machinery and equipment, at nominal value	1	1
	<u>1,527,109</u>	<u>1,271,043</u>
Investment in Consortina, at cost (note 3)	154,559	301,825
Other Investments, at cost		
Shares	34,819	
Advances	51,582	37,450
	<u>86,401</u>	<u>37,450</u>
Mortgage from a Director, due in annual instalments of \$2,500, non-current portion	43,750	46,250
	<u><u>\$2,253,515</u></u>	<u><u>\$1,809,134</u></u>

AUDITOR'S REPORT

To the Shareholders of
Chimo Gold Mines Limited

We have examined the balance sheet of Chimo Gold Mines Limited as at December 31, 1976 and the statements of income and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Toronto, Canada
May 9, 1977

Lines Limited

(Incorporated under the laws of Ontario)

December 31, 1976

LIABILITIES

Current Liabilities

	1976	1975
Accounts payable and accrued liabilities	<u>\$ 132,188</u>	<u>\$ 8,546</u>

SHAREHOLDERS' EQUITY

Capital Stock

Authorized
5,000,000 Shares, par value \$1 each

Issued

3,371,086 Shares 3,371,086 3,371,086

Less discount 1,212,167 1,212,167

2,158,919 2,158,919

Deficit 37,592 358,331

2,121,327 1,800,588

Commitments (notes 3 and 6)

Contingent liability (note 3)

Approved by the Board:

M. P. CONNELL, Director

J. C. LAMACRAFT, Director

\$2,253,515 \$1,809,134

PORT

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE RIDDELL & CO.
Chartered Accountants

Chimo Gold Mines Limited

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended December 31, 1976

Working capital derived from	1976	1975
Revenue.....	\$ 591,432	\$ 488,752
Reduction in mortgage from a director	2,500	2,500
Sale of shares with a quoted market value	369,253	830,473
Sale of interest in Jarvis House to Consortina	174,800	
	<u>1,137,985</u>	<u>1,321,725</u>
Working capital applied to		
Exploration and development of mining claims including general exploration and administrative costs	301,353	336,059
Investment in Jarvis House		174,800
Purchase of shares with a quoted market value	594,659	719,336
Increase in investment in Consortina (net)	27,534	121,025
Increase in other investments (net)	48,951	37,448
	<u>972,497</u>	<u>1,388,668</u>
Increase (decrease) in working capital	165,488	(66,943)
Working capital at beginning of year	144,020	210,963
Working capital at end of year	<u>\$ 309,508</u>	<u>\$ 144,020</u>

Chimo Gold Mines Limited

STATEMENT OF INCOME AND DEFICIT

Year Ended December 31, 1976

Revenue	1976	1975
Royalties	\$ 483,300	\$ 406,200
Dividends and interest	63,857	32,371
Gain on sale of investments	962	28,322
Management fees and other income	43,313	21,859
	<u>591,432</u>	<u>488,752</u>
Expenses		
General exploration and administrative together with the cost of current and prior years' direct exploration and development expenditures on mining claims and properties which were abandoned during the year	241,074	713,749
Corporate	17,533	14,631
Amortization of investment in The Iron Bay Trust	12,086	11,774
	<u>270,693</u>	<u>740,154</u>
Income (loss) before extraordinary item	<u>320,739</u>	<u>(251,402)</u>
Extraordinary item		
Write-down of machinery and equipment to nominal value		37,911
Net income (loss) (note 4)	<u>320,739</u>	<u>(289,313)</u>
Deficit at beginning of year	358,331	69,018
Deficit at end of year	<u>\$ 37,592</u>	<u>\$ 358,331</u>
Earnings (loss) per share		
Before extraordinary item	\$.095	\$ (.075)
After extraordinary item	<u>\$.095</u>	<u>\$ (.086)</u>

Chimo Gold Mines Limited

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 1976

1. Summary of Significant Accounting Policies

(a) Exploration and Development and Property Acquisition Costs

The Corporation's policy is to write off all general exploration expenditures as incurred and to capitalize the direct costs of acquisition and expenditures on mining properties which were in good standing at the year end. Upon disposal or abandonment of such interest, the net gain or loss is reflected in the statement of income and deficit.

(b) Investment in The Iron Bay Trust

The Iron Bay Trust owns an 80% interest in a producing mining property which is leased to The Steel Company of Canada, Limited until April 30, 2040. The Corporation has a 39.1% interest in the Trust, represented by 1,000,000 trust units. Since royalties are received on a unit of production basis, it is the Corporation's policy to amortize its investment on this basis over total estimated production.

2. Mining Properties Together with Expenditures Thereon

	1976	1975
Balance at beginning of year	\$202,279	\$594,600
Add current year's expenditures	108,537	133,283
	310,816	727,883
Deduct expenditures charged to operations	65,791	525,604
Balance at end of year	<u>\$245,025</u>	<u>\$202,279</u>

3. Investment in Consortina

At December 31, 1976, the Corporation had an indirect interest in Consortina Incorporated, which owns and operates restaurant and hotel facilities in the Metropolitan Toronto area as follows:

	1976	1975
Shares	\$ 6,000	\$ 6,000
Advances	148,559	121,025
Interest in Jarvis House		174,800
	<u>\$154,559</u>	<u>\$301,825</u>

During 1976, and up to the date of the auditors' report, certain of Consortina's operating facilities were closed for extensive renovation. As a result, Consortina experienced losses during this period. It is the opinion of the management of Consortina and of the Corporation that these losses will be recovered over a reasonable period of time once full operations are established.

The Corporation, Calmor Iron Bay Mines Limited and Conwest Exploration Company Limited (the "Conwest Group") have entered into certain financing agreements with Consortina. The principal effects of these agreements on the Corporation are as follows:

- The indirect ownership of each of the members of the Conwest Group has been reduced to allow for an increase in the number of shares held by the President of Consortina. Specifically, the Corporation's indirect ownership in Consortina has been reduced from 19% to 18%.
- Each of the members of the Conwest Group and the President of Consortina has provided or agreed to provide a several guarantee of the bank indebtedness of Consortina in proportion to their respective financing interest in Consortina. As at the date of the auditors' report, the Corporation had therefore guaranteed \$1,137,000 of Consortina's bank indebtedness.

- (c) Each of the guarantors, including the Corporation, is entitled to receive a guarantee fee of 2¾% per annum on this guaranteed indebtedness.

Consortina has accepted an offer from an institutional lender to provide financing of \$1,250,000. Subject to satisfactory completion of the terms of the offer, certain of Consortina's assets will be mortgaged and charged. Under the terms of the offer, the proceeds are to be applied to reduce Consortina's bank debt to \$4,750,000. Since the Corporation is not required to guarantee this proposed mortgage financing, upon completion the contingent liability of the Corporation as guarantor of Consortina's bank indebtedness will be reduced to \$900,000. This mortgage financing is expected to close on or before June 30, 1977. As additional facilities of Consortina become operative, it is expected that further mortgage financing will be arranged to reduce bank debt and further reduce the Corporation's contingent liability.

The members of the Conwest Group and the President of Consortina have also advanced funds directly to Consortina. These direct advances are in proportion to the financing interests of the shareholders. As at the date of the auditors' report \$562,200 had been advanced by the Corporation. At the present time, it is anticipated that direct advances by the Corporation to Consortina will not exceed \$775,000. All such advances will bear interest at a minimum of prime plus ¾% per annum.

4. Income Taxes

No provision for income taxes has been made in the accounts for 1976 and 1975 as exploration and development expenditures available for tax purposes have been applied to eliminate income taxes otherwise payable.

At December 31, 1976, the Corporation has additional expenditures and losses available to reduce future years' taxable income amounting to approximately \$1,600,000.

5. Anti-Inflation Act

The Corporation is subject as a public company to shareholder dividend restrictions under the Anti-Inflation Act (presently scheduled to be in force to December 31, 1978).

On, or about, May 1, 1977 the Corporation may have become subject to the mandatory compliance provisions which control profit margins and employee compensation. While the full effect of the guidelines has yet to be determined, management is of the opinion that control under the programme would not have a material effect on the operations of the Corporation.

6. Commitments

- (a) Pursuant to an agreement dated December 1, 1975, the Corporation, Conwest, Calmor and Consolidated Canadian Faraday Limited agreed to expend in total up to \$1,500,000 annually in the three years ending December 31, 1978 on certain non-hydrocarbon exploration projects. The Corporation has agreed to contribute 27% of the amount to be expended on these projects.
- (b) The Corporation also agreed during 1976 to participate in an uranium exploration joint venture which Conwest formed on March 18, 1976. Under the joint venture agreement, Conwest and each of the original members of the joint venture agreed to contribute \$300,000 per year in the years 1976 to 1979 inclusive and \$200,000 in 1980, subject to an upward adjustment to the extent that the Consumer Price Index for Canada increases. The amount which the Corporation has agreed to contribute is 15% of Conwest's commitment to the joint venture.

7. Comparative Figures

The 1975 figures, included for comparative purposes, have been reclassified to conform with the financial statement presentation adopted for 1976.

8. Remuneration of Directors and Senior Officers

Aggregate direct remuneration paid to directors and senior officers (as defined by The Business Corporations Act) during the year amounted to \$16,900 (1975, \$16,600).

Central Patricia Gold Mines, Limited, pays substantially all of the remuneration of directors and senior officers of the Corporation and certain other Corporations and is reimbursed by these Corporations for their proportionate share. The Corporation's share of the amounts so paid was \$58,000 (1975, \$46,000).

Chimo Gold Mines Limited

NOTICE OF ANNUAL AND GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual and a general meeting of the shareholders of CHIMO GOLD MINES LIMITED (the "Corporation") will be held at the Ascot Inn, Highway 27 and Rexdale Boulevard, Rexdale, Ontario, on Wednesday, the 29th day of June, 1977 at the hour of 9:00 o'clock in the forenoon (Toronto time) for the following purposes:

1. To receive and consider the financial statements of the Corporation for the year ended December 31, 1976, together with the report of the auditors thereon;
2. To consider and, if approved, to confirm (subject to such amendments and/or additions and/or changes, if any, as may be approved at the meeting):
 - (a) By-law I, being a by-law repealing, without prejudice to any action theretofore taken thereunder, all the existing by-laws of the Corporation;
 - (b) By-law No. 1, being a by-law relating generally to the conduct of the affairs of the Corporation;
 - (c) Special By-law A, being a by-law authorizing the directors to borrow money and dealing with other matters referred to in section 53 of The Business Corporations Act (Ontario);
 - (d) Special By-law B, being a borrowing by-law in the form required by the Corporation's bankers; and
 - (e) Special By-law C, being a by-law containing provisions (i) as to the making of loans by the Corporation to employees of the Corporation in certain circumstances, and (ii) as to the payment of commissions by the Corporation for subscriptions for shares in the Corporation;
3. To consider and, if approved, to confirm, with or without variation, as a special resolution of the Corporation, a resolution passed by the directors of the Corporation authorizing an amendment to the articles of the Corporation to permit the Corporation to purchase any of its issued common shares, whether or not such purchase is made out of surplus;
4. To elect directors;
5. To appoint auditors and to authorize the directors to fix their remuneration; and
6. To transact such further or other business as may properly come before the meeting or any adjournment or adjournments thereof.

DATED the 30th day of May, 1977.

By Order of the Board.

J. A. PATTERSON,
Secretary-Treasurer.

NOTES:

1. Shareholders who are unable to be present personally at the meeting are requested to sign and return, in the envelope provided for that purpose, the accompanying form of proxy for use at the meeting.
2. Copies of By-law I, By-law No. 1, Special By-laws A, B and C and of the directors' resolution to amend the articles of the Corporation may be inspected at the head office of the Corporation, 10th Floor, 85 Richmond Street West, Toronto, Ontario or at the office of the Corporation's transfer agent, National Trust Company, Limited, 21 King Street East, Toronto, Ontario during ordinary business hours at any time before the meeting and will be available for inspection at the meeting.

Chimo Gold Mines Limited

INFORMATION CIRCULAR

MANAGEMENT SOLICITATION

This information circular is furnished in connection with the solicitation of proxies by the Management of CHIMO GOLD MINES LIMITED (the "Corporation") for use at the annual and a general meeting of the shareholders of the Corporation to be held on Wednesday, June 29, 1977 at 9:00 o'clock in the forenoon (Toronto time) at the Ascot Inn, Highway 27 and Rexdale Boulevard, Rexdale, Ontario, for the purposes set out in the foregoing notice of meeting. The cost of solicitation will be borne by the Corporation.

The form of proxy forwarded to shareholders with the notice of meeting confers discretionary authority upon the proxy nominees with respect to amendments or variations of matters identified in the notice of meeting or other matters which may properly come before the meeting.

The form of proxy affords the shareholder an opportunity to specify that the shares registered in his name shall be voted in favour of or against:

(i) the confirmation of By-law I, being a by-law repealing, without prejudice to any action theretofore taken thereunder, all the existing by-laws of the Corporation;

(ii) the confirmation of By-law No. 1, being a by-law relating generally to the conduct of the affairs of the Corporation;

(iii) the confirmation of Special By-law A, being a by-law authorizing the directors to borrow money and dealing with other matters referred to in section 53 of The Business Corporations Act (Ontario);

(iv) the confirmation of Special By-law B, being a borrowing by-law in the form required by the Corporation's bankers;

(v) the confirmation of Special By-law C, being a by-law containing provisions (a) as to the making of loans by the Corporation to employees of the Corporation in certain circumstances, and (b) as to the payment of commissions by the Corporation for subscriptions for shares in the Corporation; and

(vi) the confirmation of the resolution passed by the directors authorizing an amendment to the articles of the Corporation to permit the Corporation to purchase any of its issued common shares, whether or not out of surplus.

The shares represented by proxies in favour of Management nominees will be voted at the meeting and, subject to the provisions of section 121 of The Business Corporations Act (Ontario), if a choice is specified in the above-mentioned manner in the form of proxy with respect to the confirmation of the matters referred to above, the shares represented by such proxies will be voted by such nominees in accordance with the specifications so made.

In respect of proxies in which the shareholders have not specified that the proxy nominees are required to vote for or against the confirmation of the matters identified in the form of proxy, the shares represented by proxies in favour of Management nominees will be voted in favour of the confirmation of such matters.

Management knows of no matters to come before the meeting other than the matters referred to in the foregoing notice of meeting. However, if any other matters which are not now known to Management should properly come before the meeting, the shares represented by proxies in favour of Management nominees will be voted on such matters in accordance with the best judgment of the proxy nominee.

Proxies given by shareholders for use at the meeting may be revoked at any time prior to their use. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its seal or by an officer or attorney thereof duly authorized, and deposited either at the head office of the Corporation at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used or with the chairman of such meeting on the day of the meeting, or adjournment thereof, and upon either of such deposits the proxy is revoked.

Voting Shares and Principal Holders Thereof

The authorized capital of the Corporation is \$5,000,000 divided into 5,000,000 shares with a par value of \$1 each of which 3,371,086 shares are issued and outstanding as fully paid and non-assessable. Holders of outstanding shares of record at the time of the meeting will be entitled to one vote per share at the meeting.

To the knowledge of the directors and senior officers of the Corporation, the only persons who beneficially own, directly or indirectly, equity shares of the Corporation carrying more than 10% of the voting rights attached to all equity shares of the Corporation are Calmor Iron Bay Mines Limited which beneficially owns 500,000 shares being 14.8% of the outstanding shares of the Corporation and Central Patricia Gold Mines, Limited ("Central Patricia") which beneficially owns 1,035,000 shares being 30.7% of the outstanding shares of the Corporation.

Confirmation of By-law I, By-law No. 1 and Special By-laws A, B and C

On January 1, 1971, The Business Corporations Act (the "Act") came into force and replaced the existing statute applying to business corporations incorporated under the laws of the Province of Ontario. On several occasions since then significant amendments have been made to the provisions of the Act. The Act, as amended, introduced many new changes in corporate law in Ontario that affect the Corporation. Accordingly, the directors of the Corporation consider that it is in the best interests of the Corporation that the by-laws of the Corporation be repealed and replaced at this time to reflect and take advantage of many of the new provisions contained in the Act, as amended.

This meeting has been called, therefore, as a general meeting of shareholders for the purpose, among others, of confirming, with or without variation, By-law I, being a by-law repealing all of the existing by-laws of the Corporation and By-law No. 1, being a by-law relating generally to the conduct of the affairs of the Corporation. By-law No. 1 decreases the quorum for the transaction of business at meetings of the board of directors from 3 to 2, changes the quorum for the transaction of business at any meeting of shareholders from 3 persons entitled to vote thereat to 2 persons holding not less than 10% of the total number of issued shares of the Corporation enjoying voting rights at such meetings and fixes the remuneration to be paid to directors at \$100 per meeting. In addition, the meeting has been called to confirm, with or without variation, three new special by-laws, being Special By-law A relating generally to the borrowing of money, Special By-law B being a borrowing by-law in the form required by the Corporation's bankers and Special By-law C (which, in effect, replaces similar provisions of existing by-laws) relating to the making of loans to employees of the Corporation and the payment of commissions for subscriptions for shares of the Corporation.

By-law I and By-law No. 1 must each be confirmed by a majority of the votes cast at the meeting. Special By-laws A, B and C must each be confirmed as special by-laws by at least two-thirds of the votes cast at the meeting.

Copies of By-law I, By-law No. 1 and Special By-laws A, B and C may be inspected by shareholders of the Corporation at the head office of the Corporation, 10th Floor, 85 Richmond Street West, Toronto, Ontario or at the office of the Corporation's transfer agent, National Trust Company, Limited, 21 King Street East, Toronto, Ontario during ordinary business hours at any time before the meeting and will be available for inspection at the meeting.

Proposed Articles of Amendment

This meeting has also been called as a general meeting for the purpose of confirming as a special resolution, with or without variation, a resolution passed by the directors of the Corporation authorizing an amendment to the articles of the Corporation to permit the Corporation to purchase any of its issued common shares. The articles of the Corporation were previously amended to permit the Corporation to purchase its common shares out of surplus. The Act no longer requires the purchase of common shares to be out of surplus and it is accordingly considered appropriate to delete this redundant restriction.

The directors' resolution to amend the articles of the Corporation must be confirmed, with or without variation, as a special resolution by at least two-thirds of the votes cast at the meeting.

Election of Directors

Each of the persons whose name appears hereunder is proposed to be elected as a director of the Corporation to serve until the next annual meeting of shareholders or until his successor is elected or appointed. It is intended that the shares represented by proxies in favour of Management nominees will be voted in favour of the election of such persons as directors of the Corporation. In the event that any vacancies occur in the slate of such nominees, it is intended that discretionary authority shall be exercised to vote such proxies for the election of any other person or persons nominated by Management as directors.

<u>Name and Office Held</u>	<u>Principal Occupation</u>	<u>Year First Elected as a Director</u>	<u>Common Shares of the Corporation Beneficially Owned Directly or Indirectly as at May 18, 1977</u>
Martin P. Connell, ⁽¹⁾ President and Director	President, Conwest Exploration Company Limited (a mining exploration company)	1971	1
Donald J. Hains, Director	President, Lurgi Canada Limited, (an engineering company)	1976	1
Ian F. T. Kennedy, ⁽¹⁾ Vice-President and Director	Vice-President, Conwest Exploration Company Limited	1973	1
John C. Lamacraft, Executive Vice-President and Director	Executive Vice-President, Conwest Exploration Company Limited	1973	1
Alexander C. Mosher, Director	Director of the Corporation	1958	5,201

NOTE: (1) Central Patricia is an associate of each of Messrs. M. P. Connell and I. F. T. Kennedy. Reference is made to "Voting Shares and Principal Holders Thereof" above for particulars of the shareholdings of Central Patricia in the Corporation.

Remuneration of Management and Others

During the financial year ended December 31, 1976, the aggregate direct remuneration paid by the Corporation to the directors and senior officers of the Corporation was \$16,900.

Central Patricia pays substantially all the remuneration of directors and senior officers of certain related companies and is reimbursed by these companies therefor. During the financial year ended December 31, 1976, the Corporation's share of the amount so paid was \$58,000.

Reference is made to the accompanying balance sheet of the Corporation for particulars of indebtedness of a director of the Corporation.

Interest of Management and Others in Material Transactions

By an agreement dated May 9, 1977, which superseded an earlier agreement dated March 29, 1976, all of the direct or indirect shareholders of Consortina Incorporated (“Consortina”), namely the Corporation, Calmor Iron Bay Mines Limited (“Calmor”), Conwest Exploration Company Limited (“Conwest”) and T. G. Kristenbrun agreed severally to guarantee bank indebtedness of Consortina in the aggregate principal amount of \$6,000,000 and agreed (subject to certain limitations in the case of Mr. Kristenbrun) to make such advances to Consortina as Conwest, Calmor and the Corporation might unanimously agree upon from time to time. Contingent liability under the bank guarantees and the direct advances are in direct proportion to the shareholdings of such parties in Consortina. At the present time, the contingent liability of the Corporation under the bank guarantee is \$1,137,000 and the direct advances made by the Corporation to Consortina are \$562,200. An institutional lender has agreed to advance \$1,250,000 to Consortina on or before June 30, 1977. Subject to satisfactory completion of the conditions to this agreement, the funds to be received will be applied to reduce the bank indebtedness of Consortina, thereby reducing the contingent liability of the Corporation to \$900,000.

Certain of the directors and officers of the Corporation are also directors and/or officers of one or more of the other corporate shareholders of Consortina, or of Consortina itself and may, therefore, be considered to have an interest in the financing agreements. Those interests are set forth below.

Name of Director or Officer of the Corporation	Office Held and Shares Beneficially Owned			
	Chimo	Calmor	Conwest	Consortina
M. P. Connell 52 Chestnut Park Road Toronto	President & Director 1 sh	President & Director 32,501 shs	President & Director 2,955 shs	Director —
D. J. Hains 231 Westdale Road Oakville	Director 1 sh	Director 48,500 shs	— —	— —
I. F. T. Kennedy 1 Douglas Drive Toronto	Vice-President & Director 1 sh	Vice-President & Director 10,001 shs	Vice-President & Director 270,401 shs	— —
J. C. Lamacraft 121 Highbourne Road Toronto	Executive Vice-President & Director 1 sh	Executive Vice-President & Director 1 sh	Executive Vice-President & Director 1 sh	Director —
A. C. Mosher 7 Chieftain Crescent Willowdale	Director 5,201 shs	Director 27,854 shs	— —	— —

Central Patricia is an associate of Messrs. Connell and Kennedy. Central Patricia is the beneficial owner of 30.7% of the outstanding shares of the Corporation, 39.1% of the outstanding shares of Calmor and 28.9% of the outstanding shares of Conwest.

Appointment of Auditors

Management proposes to nominate Thorne Riddell & Co., the present auditors, as auditors of the Corporation to hold office until the close of the next annual meeting of shareholders. It is intended that the shares represented by proxies in favour of Management nominees will be voted in favour of the appointment of Thorne Riddell & Co. as auditors of the Corporation and the authorization of the directors of the Corporation to fix their remuneration.

DATED May 18, 1977.

